

Village of Vicksburg, Michigan

Annual Financial Statements and Supplemental Material

Year Ended June 30, 2008



Village of Vicksburg, Michigan

Annual Financial Statements and Supplemental Material

Year Ended June 30, 2008

Village of Vicksburg, Michigan

Contents

Elected and Appointed Officers	iii
Independent Auditors' Report	1 and 2
Management's Discussion and Analysis	3 - 11
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet	14
Reconciliation of the Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balance	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - <i>General Fund</i>	18 - 20

Village of Vicksburg, Michigan

Contents (Concluded)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - <i>Major Street Fund</i>	21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - <i>Local Street Fund</i>	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - <i>Department of Public Works</i>	23 and 24
<i>Proprietary Funds:</i>	
Statement of Net Assets	25
Statement of Revenues, Expenses, and Change in Net Assets	26
Statement of Cash Flows	27 and 28
Notes to Financial Statements	29 - 48
Supplementary Information -	
Property Tax Levy	49
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50 and 51

Village of Vicksburg, Michigan

Elected and Appointed Officers

Elected Officials

Village President - Dan Pryson

Village Trustees:

Rachel Freeman
Christina Klok
Ray Vliek
Jack Westendorp
Bill Brisbane
Bill Brumleve

Administration

Village Manager - Matthew Crawford

Office Administrator - Gloria Kiel

Police Secretary - Linda Langevin

Police Chief - Michael Descheneau

Department of Public Works Director - Ken Schippers



Independent Auditors' Report

Village Council
Village of Vicksburg, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Vicksburg, Michigan (the Village), as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Major Street, Local Street, and Department of Public Works Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on Pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO Seidman, LLP

Certified Public Accountants

December 17, 2008

Village of Vicksburg, Michigan

Management's Discussion and Analysis

As management of the Village of Vicksburg, Michigan (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$5,797,436 (net assets). Of this amount, \$1,077,470 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$315,787.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$429,984 an increase of \$65,745 in comparison with the prior year.
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$92,539 or 8% of the total General Fund expenditures.
- Total government-wide debt decreased by \$120,057 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The Government-Wide Financial Statements are designed to provide readers with a broad overview of the Village's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the Government-Wide Financial Statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, legislative, public safety, highways and streets (public works), recreation and culture, and other. The business-type activities of the Village include the Water and Sewer Funds.

The Government-Wide Financial Statements may be found on Pages 12 and 13 of this report.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Village, similar to other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village may be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

The Village maintains six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Major Street, Local Street, Department of Public Works, Market Place Indebtedness, and TIF Indebtedness Funds.

The Village adopts an annual appropriated budget for its General, Major Street, Local Street, and Department of Public Works Funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the respective budget.

The governmental fund financial statements may be found on Pages 14 to 24 of this report.

Proprietary Funds. The Village's proprietary funds consist of two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The Village uses enterprise funds to account for the Water Fund and Sewer Fund.

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund, both of which are considered to be major funds of the Village.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the financial statements are found on Pages 29 to 48 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Village's property tax levy. This supplementary information may be found on Page 49 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$5,797,436 at the close of the most recent fiscal year.

A substantial portion of the Village's net assets (80%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

Village of Vicksburg, Michigan's Net Assets

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
<i>June 30,</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Assets:						
Current and other assets	\$ 705,749	\$ 595,535	\$ 795,551	\$ 750,740	\$ 1,501,300	\$ 1,346,275
Capital assets, net of net of accumulated depreciation	2,391,171	2,400,385	4,802,937	4,787,610	7,194,108	7,187,995
Total Assets	\$ 3,096,920	\$ 2,995,920	\$ 5,598,488	\$ 5,538,350	\$ 8,695,408	\$ 8,534,270
Liabilities:						
Other liabilities	\$ 388,911	\$ 449,062	\$ 52,594	\$ 140,024	\$ 441,505	\$ 589,086
Long-term liabilities outstanding	487,467	538,535	1,969,000	1,994,000	2,456,467	2,532,535
Total Liabilities	876,378	987,597	2,021,594	2,134,024	2,897,972	3,121,621
Net Assets:						
Invested in capital assets, net of related debt	1,888,813	1,794,907	2,743,937	2,704,570	4,632,750	4,499,477
Restricted - Bond indentures	-	-	87,216	87,626	87,216	87,626
Unrestricted	331,729	213,416	745,741	612,130	1,077,470	825,546
Total Net Assets	2,220,542	2,008,323	3,576,894	3,404,326	5,797,436	5,412,649
Total Liabilities and Net Assets	\$ 3,096,920	\$ 2,995,920	\$ 5,598,488	\$ 5,538,350	\$ 8,695,408	\$ 8,534,270

A portion of the Village's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The Village may use the remaining balance of unrestricted net assets of \$1,077,470 (19%) to meet its ongoing obligations to citizens and creditors.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

Village of Vicksburg, Michigan's Changes in Net Assets

<i>Year Ended June 30,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Revenues:						
Program revenues:						
Charges for services	\$ 199,514	\$ 190,004	\$ 793,048	\$ 767,826	\$ 992,562	\$ 957,830
Operating grants and contributions	193,576	334,894	45,370	187,803	238,946	522,697
General revenues:						
Property taxes	1,345,818	1,234,419	-	-	1,345,818	1,234,419
State shared revenue	225,579	271,055	-	-	225,579	271,055
Other revenue	239,069	56,894	17,365	20,725	256,434	77,619
Unrestricted investment earnings	24,686	21,742	21,410	21,853	46,096	43,595
Total Revenues	2,228,242	2,109,008	877,193	998,207	3,105,435	3,107,215
Expenses:						
General government	318,326	278,694	-	-	318,326	278,694
Public safety	691,639	603,948	-	-	691,639	603,948
Public works	734,789	846,663	637,904	847,920	1,372,693	1,694,583
Community and economic development	191,747	151,548	-	-	191,747	151,548
Recreation and culture	63,245	54,656	-	-	63,245	54,656
Legislative	14,213	11,449	-	-	14,213	11,449
Other	1,504	7,700	-	-	1,504	7,700
Interest and fiscal charges	560	69,237	135,721	78,496	136,281	147,733
Total Expenses	2,016,023	2,023,895	773,625	926,416	2,789,648	2,950,311
Increase in Net Assets	212,219	85,113	103,568	71,791	315,787	156,904
Net Assets, beginning of year	2,008,323	1,923,210	3,473,326	3,332,535	5,481,649	5,255,745
Net Assets, end of year	\$ 2,220,542	\$ 2,008,323	\$ 3,576,894	\$ 3,404,326	\$ 5,797,436	\$ 5,412,649

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities. Governmental activities increased the Village's net assets by \$212,219. The key element of this increase was due to increased tax collections as a result of increased property values.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities. Business-type activities increased the Village's net assets by \$103,568. The key element of this increase was the Water and Sewer Fund charges for services.

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$429,984, an increase of \$65,745 in comparison with the prior year. The unreserved fund balance of \$344,561 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$92,539. As a measure of the General Fund's liquidity, the total fund balance represents 8% of total General Fund expenditures.

The fund balance of the Village's General Fund decreased by \$30,983 during the current fiscal year.

Proprietary Funds. The Village's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail.

The unrestricted net assets of the Water Fund at the end of the year amounted to \$595,886. The Water Fund had a total growth in net assets of \$74,795. The Sewer Fund had a total gain of \$28,773 and unrestricted net assets for the Sewer Fund was \$149,855.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights. The General Fund actual revenues were \$13,000 less than the final revenue budget for the General Fund. The decrease in revenue was due to decreased collections on property taxes and decreased federal grant revenue.

The final expenditure budget for the General Fund was \$30,883 less than the actual expenditures. General Fund expenditures exceeded budget mainly due to unplanned capital outlay needs and increased administrative service expenditures.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2008, was \$7,194,108 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, furniture, machinery and equipment, vehicles, and construction in progress. The total increase in the Village's investment in capital assets for the current fiscal year was less than 1%.

Major capital asset events during the current fiscal year included improvements made in utility infrastructure, street repairs, and contractor equipment.

Village of Vicksburg, Michigan's Capital Assets (net of depreciation)

<i>June 30,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Land	\$ 1,026,501	\$1,026,501	\$ -	\$ -	\$ 1,026,501	\$1,026,501
Buildings and land improvements	1,150,510	1,199,898	-	-	1,150,510	1,199,898
Plant, machinery, furniture, and equipment	214,160	173,986	483,880	413,497	698,040	587,483
Sewage collector system	-	-	2,809,304	2,886,209	2,809,304	2,886,209
Water distribution system	-	-	1,509,753	1,487,904	1,509,753	1,487,904
Total	\$ 2,391,171	\$2,400,385	\$ 4,802,937	\$ 4,787,610	\$ 7,194,108	\$7,187,995

Additional information on the Village's capital assets may be found in Note 6 on Pages 40 and 41 of this report.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

Long-Term Debt. At the end of the current fiscal year, the Village had total bonded debt outstanding of \$2,139,000. The Village debt represents bonds secured by specified revenue sources (i.e., revenue bonds), limited tax obligations secured by tax increment revenues or state revenue sources further supported by the full faith and credit of the Village and general obligation bonds.

The Village's Outstanding Debt General Obligation and Revenue Bonds

<i>June 30,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Primary Government:						
General obligation and tax increment bonds	\$ 80,000	\$120,000	\$ -	\$ -	\$ 80,000	\$ 120,000
Revenue bonds	-	-	2,059,000	2,083,000	2,059,000	2,083,000
Installment purchase agreement	422,358	485,478	-	-	422,358	485,478
Compensated absences	89,906	82,843	-	-	89,906	82,843
Total	\$ 592,264	\$688,321	\$ 2,059,000	\$2,083,000	\$ 2,651,264	\$2,771,321

The Village's total debt decreased by \$120,057 (4%) during the current fiscal year. The decrease was attributable to current year principal payments and no new debt issuances.

Additional information on the Village long-term debt may be found in Note 7 on Pages 42 and 43.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the Vicksburg area is currently 6.9% (as of June, 2008), which is an increase from a rate of 5.8% a year ago. This compares favorably to the state's average unemployment rate of 8.7%.
- Inflationary trends in the region compare favorably to national indices.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Concluded)

These factors were considered in preparing the Village's budget for the 2008-09 fiscal year.

During the current fiscal year, fund balance in the General Fund decreased to \$170,844. The Village plans to increase this amount for the 2008-09 fiscal year budget by approximately \$13,000.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Village Manager
Village of Vicksburg, Michigan
126 N. Kalamazoo Avenue
Vicksburg, Michigan 49097



Government-Wide Financial Statements



Village of Vicksburg, Michigan

Government-Wide Financial Statements Statement of Net Assets

<i>June 30, 2008</i>	<i>Primary Government</i>			<i>Discretely Presented Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Downtown Development Authority</i>
Assets:				
Cash (Note 4)	\$ 1,270	\$ -	\$ 1,270	\$ 6,739
Investments (Note 4)	326,023	403,059	729,082	43,880
Accounts receivable	111,087	180,614	291,701	-
Due from other governmental units	246,946	-	246,946	-
Prepaid expenses	20,423	1,792	22,215	-
Restricted assets - Investments	-	198,306	198,306	-
Land (Note 6)	1,026,501	-	1,026,501	-
Capital assets, net of accumulated depreciation (Note 6)	1,364,670	4,802,937	6,167,607	-
Other assets	-	11,780	11,780	-
Total Assets	\$ 3,096,920	\$ 5,598,488	\$ 8,695,408	\$ 50,619
Liabilities:				
Accounts payable	\$ 146,859	\$ 26,796	\$ 173,655	\$ -
Accrued liabilities	8,349	31,686	40,035	-
Internal balances	128,906	(128,906)	-	-
Other	-	33,018	33,018	-
Noncurrent liabilities:				
Due within one year (Note 7)	104,797	90,000	194,797	-
Due in more than one year (Note 7)	487,467	1,969,000	2,456,467	-
Total Liabilities	876,378	2,021,594	2,897,972	-
Net Assets:				
Invested in capital assets, net of related debt	1,888,813	2,743,937	4,632,750	-
Restricted - Bond indentures	-	87,216	87,216	-
Unrestricted	331,729	745,741	1,077,470	50,619
Total Net Assets	2,220,542	3,576,894	5,797,436	50,619
Total Liabilities and Net Assets	\$ 3,096,920	\$ 5,598,488	\$ 8,695,408	\$ 50,619

See accompanying notes to financial statements.



<i>Year Ended June 30, 2008</i>		<i>Program Revenues</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
<i>Expenses</i>				
Primary Government:				
<i>Governmental activities:</i>				
General government	\$ 318,326	\$ 20,214	\$ -	\$ -
Legislative	14,213	-	-	-
Public safety	691,639	6,000	1,745	-
Public works	734,789	173,300	191,431	-
Community and economic development	191,747	-	-	-
Recreation and culture	63,245	-	400	-
Other	1,504	-	-	-
Interest and fiscal charges	560	-	-	-
<i>Total governmental activities</i>	<i>2,016,023</i>	<i>199,514</i>	<i>193,576</i>	<i>-</i>
<i>Business-type activities:</i>				
Water	277,540	358,590	45,370	-
Sewer	360,364	434,458	-	-
Interest and fiscal charges	135,721	-	-	-
<i>Total business-type activities</i>	<i>773,625</i>	<i>793,048</i>	<i>45,370</i>	<i>-</i>
Total Primary Government	\$ 2,789,648	\$ 992,562	\$ 238,946	\$ -
Component Unit -				
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -
General Revenues:				
Property taxes				
State shared revenue				
Other revenue				
Unrestricted investment earnings				
Total General Revenues				
Change in Net Assets				
Net Assets, beginning of year				
Net Assets, end of year				

Village of Vicksburg, Michigan

Government-Wide Financial Statements Statement of Activities

<i>Net Revenue (Expense) and Changes in Net Assets</i>			<i>Discretely Presented Component Unit</i>
<i>Primary Government</i>			<i>Downtown Development Authority</i>
<i>Governmental Activities</i>	<i>Business- Type Activities</i>	<i>Total</i>	
\$ (298,112)	\$ -	\$ (298,112)	\$ -
(14,213)	-	(14,213)	-
(683,894)	-	(683,894)	-
(370,058)	-	(370,058)	-
(191,747)	-	(191,747)	-
(62,845)	-	(62,845)	-
(1,504)	-	(1,504)	-
(560)	-	(560)	-
(1,622,933)	-	(1,622,933)	-
-	126,420	126,420	-
-	74,094	74,094	-
-	(135,721)	(135,721)	-
-	64,793	64,793	-
(1,622,933)	64,793	(1,558,140)	-
-	-	-	-
1,345,818	-	1,345,818	-
225,579	-	225,579	-
239,069	17,365	256,434	-
24,686	21,410	46,096	2,342
1,835,152	38,775	1,873,927	2,342
212,219	103,568	315,787	2,342
2,008,323	3,473,326	5,481,649	48,277
\$ 2,220,542	\$ 3,576,894	\$ 5,797,436	\$ 50,619

See accompanying notes to financial statements.

Special Revenue Funds

<i>June 30, 2008</i>	<i>General</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Department of Public Works</i>
Assets:				
Cash (Note 4)	\$ 1,270	\$ -	\$ -	\$ -
Investments (Note 4)	97,248	38,063	50,698	1,300
Accounts receivable	80,955	-	-	28,851
Due from other governmental units	150,017	22,601	7,335	35,803
Due from other funds (Note 10)	-	45,000	-	51,249
Prepaid expenditures	13,305	-	-	7,118
Total Assets	\$ 342,795	\$ 105,664	\$ 58,033	\$ 124,321
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 19,114	\$ 58,631	\$ 484	\$ 44,242
Due to other funds (Note 10)	152,837	-	-	66,697
Total Liabilities	171,951	58,631	484	110,939
Fund Balance (Deficit):				
<i>Reserved:</i>				
Prepaid expenditures	13,305	-	-	7,118
Long-term receivable from other governmental units	65,000	-	-	-
<i>Unreserved</i>	92,539	47,033	57,549	6,264
Total Fund Balance (Deficit)	170,844	47,033	57,549	13,382
Total Liabilities and Fund Balance	\$ 342,795	\$ 105,664	\$ 58,033	\$ 124,321

Village of Vicksburg, Michigan

Governmental Funds Balance Sheet

<i>Debt Service Funds</i>		
<i>Market Place Indebtedness Fund</i>	<i>TIF Indebtedness Fund</i>	<i>Total Governmental Funds</i>
\$ -	\$ -	\$ 1,270
67,862	70,852	326,023
1,281	-	111,087
1,196	29,994	246,946
41,867	171,564	309,680
-	-	20,423
<u>\$ 112,206</u>	<u>\$ 272,410</u>	<u>\$ 1,015,429</u>
\$ -	\$ 24,388	\$ 146,859
169,052	50,000	438,586
<u>169,052</u>	<u>74,388</u>	<u>585,445</u>
-	-	20,423
-	-	65,000
(56,846)	198,022	344,561
<u>(56,846)</u>	<u>198,022</u>	<u>429,984</u>
<u>\$ 112,206</u>	<u>\$ 272,410</u>	<u>\$ 1,015,429</u>

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Reconciliation of the Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

<i>June 30, 2008</i>	<i>Amount</i>
Total Fund Balance - Total Governmental Funds (from Page 14)	\$ 429,984
Amounts Reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:	
Capital assets, at cost	4,492,842
Accumulated depreciation	<u>(2,101,671)</u>
Net capital assets	2,391,171
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at June 30, 2008, were:	
Long-term liabilities and bonds payable	(502,358)
Compensated absences	(89,906)
Accrued interest on bonds	<u>(8,349)</u>
	<u>(600,613)</u>
Net Assets of Governmental Activities	\$ 2,220,542

See accompanying notes to financial statements.



<i>Year Ended June 30, 2008</i>	<i>Special Revenue Funds</i>			
	<i>General</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Department of Public Works</i>
Revenues:				
Taxes	\$ 753,793	\$ -	\$ -	\$ 332,902
Rental income	6,000	-	-	175,587
Intergovernmental - State shared revenue	225,579	146,668	44,763	-
Grants	1,745	-	-	-
Licenses and permits	1,715	-	-	-
Fines and forfeitures	18,499	-	-	-
Miscellaneous	170,401	-	-	31,878
Investment income	14,268	1,495	1,427	2,681
Other	-	-	-	-
Total Revenues	1,192,000	148,163	46,190	543,048
Expenditures:				
General government	272,400	-	-	-
Legislative	14,213	-	-	-
Public safety	646,813	-	-	-
Public works	10,982	-	-	428,174
Community and economic development	94,997	-	-	41,968
Recreation and culture	35,508	-	-	-
Highways and streets	-	158,635	20,354	-
Other	1,504	-	-	-
Principal	23,120	-	-	-
Interest and other charges	3,834	-	-	-
Capital outlay	119,612	-	-	65,801
Total Expenditures	1,222,983	158,635	20,354	535,943
Excess (Deficiency) of Revenues Over Expenditures	(30,983)	(10,472)	25,836	7,105
Fund Balance (Deficit), beginning of year	201,827	57,505	31,713	6,277
Fund Balance (Deficit), end of year	\$ 170,844	\$ 47,033	\$ 57,549	\$ 13,382

Village of Vicksburg, Michigan

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance

<i>Debt Service Funds</i>		
<i>Market Place Indebtedness Fund</i>	<i>TIF Indebtedness Fund</i>	<i>Total Governmental Funds</i>
\$ 70,080	\$ 189,043	\$ 1,345,818
-	-	181,587
-	-	417,010
-	-	1,745
-	-	1,715
-	-	18,499
-	-	202,279
2,594	2,221	24,686
-	34,903	34,903
72,674	226,167	2,228,242
-	-	272,400
-	-	14,213
-	-	646,813
-	33,443	472,599
-	54,782	191,747
-	-	35,508
-	-	178,989
-	-	1,504
80,000	-	103,120
10,920	45,437	60,191
-	-	185,413
90,920	133,662	2,162,497
(18,246)	92,505	65,745
(38,600)	105,517	364,239
\$ (56,846)	\$ 198,022	\$ 429,984

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

<i>Year Ended June 30, 2008</i>	<i>Amount</i>
Net Change in Fund Balance – Total Governmental Funds (from Page 16)	\$ 65,745
Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.	(9,214)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets - Repayments	103,120
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in accrued interest	59,631
Change in compensated absences	(7,063)
Change in Net Assets of Governmental Activities	\$ 212,219

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended June 30, 2008</i>	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:			
<i>Taxes:</i>			
Real property:			
Current	\$ 660,000	\$ 673,188	\$ 13,188
Delinquent	17,000	12,485	(4,515)
Personal property:			
Current	58,000	54,233	(3,767)
Delinquent	-	576	576
Service charge in lieu of taxes	6,000	5,595	(405)
Interest and penalties on delinquent taxes	2,000	7,716	5,716
<i>Total Taxes</i>	743,000	753,793	10,793
<i>Licenses and Permits</i>	5,000	1,715	(3,285)
<i>Intergovernmental Revenue - State shared</i>	227,000	225,579	(1,421)
<i>Grants</i>	40,000	1,745	(38,255)
<i>Investment Income</i>	10,000	14,268	4,268
<i>Fines and Forfeitures</i>	15,000	18,499	3,499
<i>Rental Income - Fire Department</i>	6,000	6,000	-
<i>Miscellaneous:</i>			
Contributions	80,000	400	(79,600)
Other	79,000	170,001	91,001
<i>Total Miscellaneous</i>	159,000	170,401	11,401
Total Revenues	1,205,000	1,192,000	(13,000)

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Continued)

<i>Year Ended June 30, 2008</i>	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Expenditures:			
<i>Legislative - Village Council</i>	\$ 18,575	\$ 14,213	\$ 4,362
<i>General Government:</i>			
Village President	1,950	1,292	658
Village Manager/Clerk	109,600	124,577	(14,977)
Village Attorney	15,000	15,972	(972)
Administrative Services	82,575	121,714	(39,139)
Municipal Building	17,700	8,845	8,855
<i>Total General Government</i>	226,825	272,400	(45,575)
<i>Public Safety:</i>			
Police Department	589,700	594,105	(4,405)
Fire Authority	50,500	52,708	(2,208)
<i>Total Public Safety</i>	640,200	646,813	(6,613)
<i>Public Works - Trash and Recycling</i>	9,500	10,982	(1,482)
<i>Community and Economic Development:</i>			
Planning Commission	11,800	2,667	9,133
Economic Development	92,000	92,330	(330)
<i>Total Community and Economic Development</i>	103,800	94,997	8,803
<i>Recreation and Culture:</i>			
Community Center	4,500	2,710	1,790
Historic Village	12,000	19,585	(7,585)
Parks and Recreation	7,500	9,163	(1,663)
Recreation Area	1,700	2,904	(1,204)
Clark Park	1,500	1,146	354
<i>Total Recreation and Culture</i>	27,200	35,508	(8,308)

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Concluded)

<i>Year Ended June 30, 2008</i>	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Expenditures (Concluded):			
<i>Other</i>	\$ 1,500	\$ 1,504	\$ (4)
<i>Capital Outlay:</i>			
General Government	7,500	6,647	853
Public Safety	69,000	82,341	(13,341)
Public Works	-	89	(89)
Recreation and Culture	79,500	30,535	48,965
<i>Total Capital Outlay</i>	156,000	119,612	36,388
<i>Debt Service:</i>			
Principal	8,500	23,120	(14,620)
Interest and other charges	-	3,834	(3,834)
<i>Total Debt Service</i>	8,500	26,954	(18,454)
Total Expenditures	1,192,100	1,222,983	(30,883)
Excess (Deficiency) of Revenues Over Expenditures	12,900	(30,983)	(43,883)
Fund Balance, beginning of year	201,827	201,827	-
Fund Balance, end of year	\$ 214,727	\$ 170,844	\$ (43,883)

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Major Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended June 30, 2008</i>	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:			
Intergovernmental - State shared revenue	\$ 125,000	\$ 146,668	\$ 21,668
Investment income	2,000	1,495	(505)
Total Revenues	127,000	148,163	21,163
Expenditures:			
<i>Highways and Streets:</i>			
Construction	2,000	1,950	50
Routine maintenance	153,500	117,480	36,020
Traffic services maintenance	5,500	7,024	(1,524)
Winter maintenance	20,000	31,181	(11,181)
Administration, engineering, and recordkeeping	1,000	1,000	-
Total Expenditures	182,000	158,635	23,365
Excess (Deficiency) of Revenues Over Expenditures	(55,000)	(10,472)	44,528
Other Financing Sources (Uses) -			
Transfers in	60,000	-	(60,000)
Net Change in Fund Balance	5,000	(10,472)	(15,472)
Fund Balance, beginning of year	57,505	57,505	-
Fund Balance, end of year	\$ 62,505	\$ 47,033	\$ (15,472)

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Local Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended June 30, 2008</i>	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:			
Intergovernmental - State shared revenue	\$ 55,000	\$ 44,763	\$ (10,237)
Investment income	1,500	1,427	(73)
Total Revenues	56,500	46,190	(10,310)
Expenditures:			
<i>Highways and Streets:</i>			
Routine maintenance	57,500	9,467	48,033
Traffic services maintenance	1,000	2,192	(1,192)
Winter maintenance	20,000	8,695	11,305
Administration, engineering, and recordkeeping	1,000	-	1,000
Total Expenditures	79,500	20,354	59,146
Excess (Deficiency) of Revenues Over Expenditures	(23,000)	25,836	48,836
Other Financing Sources -			
Transfers in	25,000	-	(25,000)
Net Change in Fund Balance	2,000	25,836	23,836
Fund Balance, beginning of year	31,713	31,713	-
Fund Balance, end of year	\$ 33,713	\$ 57,549	\$ 23,836

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Department of Public Works Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

<i>Year Ended June 30, 2008</i>	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Budget Positive (Negative)</i>
Revenues:			
<i>Taxes:</i>			
Real property:			
Current	\$ 300,500	\$ 301,672	\$ 1,172
Delinquent	8,000	5,675	(2,325)
Personal property:			
Current	26,500	24,651	(1,849)
Delinquent	-	252	252
Interest and penalties on delinquent taxes	1,000	652	(348)
<i>Total Taxes</i>	336,000	332,902	(3,098)
Rental income	150,000	175,587	25,587
Investment income	1,000	2,681	1,681
Miscellaneous	16,500	31,878	15,378
Total Revenues	503,500	543,048	39,548
Expenditures:			
<i>Public Works:</i>			
Department expenses	355,600	426,604	(71,004)
Sidewalk projects	15,000	1,570	13,430
<i>Total Public Works</i>	370,600	428,174	(57,574)
<i>Economic Development</i>	42,500	41,968	532
<i>Debt Service - Principal</i>	20,000	-	20,000
<i>Capital Outlay</i>	41,500	65,801	(24,301)
Total Expenditures	474,600	535,943	(61,343)

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Department of Public Works Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Concluded)

<i>Year Ended June 30, 2008</i>	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Budget Positive (Negative)</i>
Excess (Deficiency) of Revenues Over Expenditures	\$ 28,900	\$ 7,105	\$ (21,795)
Net Change in Fund Balance	28,900	7,105	(21,795)
Fund Balance, beginning of year	6,277	6,277	-
Fund Balance, end of year	\$ 35,177	\$ 13,382	\$ (21,795)

See accompanying notes to financial statements.

	<i>Business-Type Activities Enterprise Funds</i>		
<i>June 30, 2008</i>	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Total</i>
Assets:			
Current assets:			
Investments (Note 4)	\$ 139,904	\$ 263,155	\$ 403,059
Accounts receivable	95,790	84,824	180,614
Due from other funds (Note 10)	346,727	2,424	349,151
Prepaid expenses	555	1,237	1,792
Total current assets	582,976	351,640	934,616
Restricted investments (Note 4):			
Bond and interest reserve	118,792	44,653	163,445
Bond and interest redemption	24,861	10,000	34,861
Total restricted investments	143,653	54,653	198,306
Property, Plant, and Equipment (Note 6):			
Water distribution system	2,175,088	-	2,175,088
Machinery and equipment	456,901	176,091	632,992
Sewage collector system	-	4,149,795	4,149,795
	2,631,989	4,325,886	6,957,875
Less accumulated depreciation	777,612	1,377,326	2,154,938
Net Property, Plant, and Equipment	1,854,377	2,948,560	4,802,937
Other Assets -			
Loan origination costs	4,780	7,000	11,780
Total Assets	\$ 2,585,786	\$ 3,361,853	\$ 5,947,639

Village of Vicksburg, Michigan

Proprietary Funds Statement of Net Assets

<i>June 30, 2008</i>	<i>Business-Type Activities Enterprise Funds</i>		<i>Total</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	
Liabilities and Net Assets:			
Current liabilities:			
Accounts payable	\$ 10,851	\$ 15,945	\$ 26,796
Accrued expenses	31,538	148	31,686
Due to other funds (Note 10)	-	220,245	220,245
Other	5,918	27,100	33,018
Current maturities of long-term debt (Note 7)	25,000	65,000	90,000
Total current liabilities	73,307	328,438	401,745
Long-Term Debt, net of current maturities (Note 7)	1,034,000	935,000	1,969,000
Total Liabilities	1,107,307	1,263,438	2,370,745
Net Assets:			
Invested in capital assets, net of related debt	795,377	1,948,560	2,743,937
Restricted for bond indentures	87,216	-	87,216
Unrestricted	595,886	149,855	745,741
Total Net Assets	1,478,479	2,098,415	3,576,894
Total Liabilities and Net Assets	\$ 2,585,786	\$ 3,361,853	\$ 5,947,639

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Proprietary Funds Statement of Revenues, Expenses, and Change in Net Assets

<i>Year Ended June 30, 2008</i>	<i>Business-Type Activities Enterprise Funds</i>		<i>Total</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	
Operating Revenue:			
Charges for services	\$ 358,590	\$ 434,458	\$ 793,048
Miscellaneous income	164	17,201	17,365
Total Operating Revenue	358,754	451,659	810,413
Operating Expenses:			
Treatment costs	-	115,648	115,648
Professional service	11,451	16,251	27,702
Transmission fees	-	9,333	9,333
Salaries	92,230	64,183	156,413
Supplies	22,087	9,040	31,127
General and administrative	20,478	16,898	37,376
Repairs and maintenance	20,697	22,569	43,266
Insurance	1,589	3,517	5,106
Depreciation	92,481	87,925	180,406
Other	16,527	15,000	31,527
Total Operating Expenses	277,540	360,364	637,904
Operating Income	81,214	91,295	172,509
Nonoperating Revenues (Expenses):			
Development grant income	45,370	-	45,370
Investment and rental income	11,132	10,278	21,410
Interest expense	(62,921)	(72,800)	(135,721)
Total Nonoperating Expenses	(6,419)	(62,522)	(68,941)
Income	74,795	28,773	103,568
Net Assets, beginning of year	1,334,684	2,069,642	3,404,326
Prior Period Adjustment (Note 14)	69,000	-	69,000
Beginning Net Assets, as restated	1,403,684	2,069,642	3,473,326
Net Assets, end of year	\$ 1,478,479	\$ 2,098,415	\$ 3,576,894

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Proprietary Funds Statement of Cash Flows

<i>Year Ended June 30, 2008</i>	<i>Business-Type Activities Enterprise Funds</i>		<i>Total</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	
Operating Activities:			
Cash received from customers	\$ 313,422	\$ 460,770	\$ 774,192
Cash paid to suppliers and employees	(262,067)	(239,510)	(501,577)
Cash Provided by Operating Activities	51,355	221,260	272,615
Cash Provided by Non-Capital Financing Activities -			
Cash received from other governmental units	45,370	-	45,370
Capital and Related Financing Activities:			
Principal paid on revenue bond maturities	(24,000)	-	(24,000)
Interest paid on bonds	(62,921)	(72,800)	(135,721)
Capital expenditures	(51,113)	(75,793)	(126,906)
Cash Used in Capital and Related Financing Activities	(138,034)	(148,593)	(286,627)
Investing Activities:			
Interest on investments	11,132	10,278	21,410
Net sales of investments	30,177	(82,945)	(52,768)
Cash Provided by (Used in) Investing Activities	41,309	(72,667)	(31,358)
Change in Cash	-	-	-
Cash, beginning of year	-	-	-
Cash, end of year	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Proprietary Funds Statement of Cash Flows (Concluded)

<i>Year Ended June 30, 2008</i>	<i>Business-Type Activities Enterprise Funds</i>		<i>Total</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	
Reconciliation of Operating Income to Cash Provided by Operating Activities:			
Operating income	\$ 81,214	\$ 91,295	\$ 172,509
Depreciation and amortization	93,067	88,490	181,557
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(2,197)	8,990	6,793
Due from other funds	(43,200)	-	(43,200)
Prepaid expenses	65	121	186
Increase (decrease) in:			
Accounts payable	(77,245)	5,190	(72,055)
Accrued expenses	(349)	74	(275)
Other	-	27,100	27,100
Cash Provided by Operating Activities	\$ 51,355	\$ 221,260	\$ 272,615

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

1. Description of the Village

The Village is a Michigan General Law Village incorporated under Act 3 of the Public Acts of 1895 and exempt from federal income taxes under the Internal Revenue Code Section 115. The Village operates under a council-manager form of government, and provides services as authorized by its charter.

2. Summary of Significant Accounting Policies

The Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial statements present the Village (the primary government) and its component units. The following blended component units are included in the Village's reporting entity because of the significance of their operational and financial relationships with the Village.

Blended Component Units

➤ Vicksburg Development Finance Authority -

The Authority was established by the Village on April 17, 1989, in accordance with the Local Development Financing Act, Michigan Act 281, 1986. The basic purpose of this Authority is to eliminate conditions of unemployment, joblessness, and to promote economic growth of the Village.

The Authority is appointed to preside over this specific district and it is authorized to formulate plans and secure financing for public utility improvements, water well, and street developments. These plans must be set forth in a development/taxing finance plan that must be approved by the governing body of the Village. The Village also appoints the Vicksburg Development Finance Authority's board of directors.

➤ Vicksburg Municipal Building Authority -

The Authority was established by the Village on October 1, 1991, in accordance with the provisions of Act 31, Public Acts of Michigan, 1948. The basic purpose of this Authority is to foster economic growth and development and enhance the general public welfare of the Village. The Village appoints the Vicksburg Municipal Building Authority's board of commissioners. The Vicksburg Municipal Building Authority is included in the financial statements as the Market Place Fund.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

➤ *Village of Vicksburg Brownfield Redevelopment Authority -*

The Authority was established by the Village on March 17, 1998, in accordance with the provisions of Act 381, Public Acts of 1996. The basic purpose of this Authority is to promote the revitalization of environmentally distressed areas in the Village. The Village appoints the Village of Vicksburg Brownfield Redevelopment Authority's board of directors.

The following entity meets the requirements of GASB No. 14 for inclusion in the Village's annual report as a discretely presented component unit:

➤ *Vicksburg Downtown Development Authority -*

The Vicksburg Downtown Development Authority (DDA) was organized in 1986 to reestablish and maintain the vitality of business in the Village. The DDA is a component unit and is discretely presented. The criteria for blending are not met because the DDA does not provide services entirely to the Village and the DDA's Board and the Village Council are not substantively the same.

There are no other entities that the Village is financially accountable for or any other organization that the nature and significance of its relationship with the Village is such that exclusion causes the reporting entity's basic financial statements to be misleading or incomplete. The Village determines taxable value of property and bills, collects, and distributes property taxes for several taxing districts. These districts are not included in these basic financial statements because they are entities with independently elected boards and/or commissions who establish their own millage rates and are responsible for all financial control including budgeting and operating surpluses and deficits.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree that the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first and then unrestricted resources, as they are needed.

The Village reports the following major governmental funds:

- The *General Fund* is used to account for all financial transactions not accounted for in another fund including general operating expenditures of the local units. Revenues are derived primarily from property taxes and state shared revenue, grants, and other intergovernmental revenues.
- The *Major Street Fund* accounts for the maintenance of all major streets and trunk lines. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The *Local Street Fund* accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The *Department of Public Works Fund* accounts for the Village's share of local streets and routine maintenance of village infrastructure. Financing is provided by special revenues from tax revenues.
- The *Special Revenue Funds* are used to account for specific revenue derived from state and federal grants, General Fund appropriations, and charges for services that are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.
- The *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, long-term and special assessment obligations, principal, interest, and related costs.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

The Village reports the following proprietary funds:

- The *Water Fund* accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities, and customers. This fund is considered a major fund.
- The *Sewer Fund* accounts for the operation and maintenance of the sewage disposal system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities, and customers. This fund is considered a major fund.

Measurement Focus and Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Village considers revenues available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

All governmental and business-type activities and enterprise funds of the Village follow applicable accounting and financial reporting standards of the Financial Accounting Standards Board issued through November 30, 1989, unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements.

Budgets and Budgetary Accounting

- *General Budgetary Policies.* The Village manager submits to the Village Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of a resolution.
- *Budget Transfers and Amendments.* The Village manager is authorized to transfer budgeted amounts between departments; however, any revisions altering the total expenditures of any fund must be approved by the Village Council.
- *Budgetary Basis of Accounting.* The formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

Appropriations are authorized by resolution at the fund level. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line item budgets. All unexpended appropriations lapse at year-end.

Cash and Investments

The Village considers cash and cash equivalents including amounts in demand and time deposits as well as short-term investments with a maturity date within three months of the date required by the government, when purchased to be cash for the Statement of Cash Flows.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

State statutes authorize the Village to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's investment pool. Investments are reported at fair value, except that commercial paper and U.S. Treasury and Agency obligations with a remaining maturity at the time of purchase of one year or less, are shown at amortized cost. Currently, investments of all funds consist of Negotiable Order of Withdrawal (NOW) deposits and certificates of deposit.

Interfund Transactions

Activity between funds are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Restricted Assets

Certain proceeds of the Village's proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "restricted" account is used to segregate resources accumulated for debt service payments. Designated accounts are used to report resources set aside to meet various capital requirements.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns of the Government-Wide Financial Statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years.

All fixed assets are valued at historical cost or estimated historical cost where actual cost information is not available. Infrastructure assets have not been included in the current year acquisitions. Donated fixed assets are recorded at their fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized as projects are constructed.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Depreciation of all exhaustible fixed assets used by the Village is charged as an expense against its various functions. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	5-50 years
Improvements	5-25 years
Equipment	5-20 years

Long-Term Obligations

In the Government-Wide Financial Statements and Proprietary Fund Financial Statements, long-term debt, notes, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

3. Stewardship, Compliance, and Accountability

Budgetary Compliance

The Uniform Budgeting Act (P.A. 621 of 1978) of the state of Michigan requires all General and Special Revenue Funds annually adopt balanced budgets.

Budgets for the General and all Special Revenue Funds are adopted on the modified accrual basis. In the body of the combining and individual basic financial statements, the Village's actual and budgeted expenditures for the budgetary funds have been shown on a functional level basis. The adopted budgets of the Village for these budgetary funds were adopted on a functional basis.

Compliance

The revenue bond ordinance governing the Water Supply System Revenue Bonds, Series 1991, requires deposits to be made each quarter to a Bond and Interest Redemption Account for payment of principal and interest on the bonds. These deposits are to equal a sum of at least one-half of the amount of the interest due on the next ensuing interest due date and one-quarter of the amount of the principal due on the ensuing principal due date. The ordinance also requires quarterly deposits in the sum of \$2,375 until the Bond and Interest Reserve Account is at least \$95,000.

The ordinance also requires the Operation and Maintenance Account consist of quarterly deposits in a sum sufficient to provide for the payment of the next quarter's current expenses of administration and operation of the water system. The Village was in compliance with this ordinance at June 30, 2008.

Deficit Fund Balance

The Market Place Indebtedness Fund had a deficit fund balance of \$57,000 due to capital outlays for downtown development. The Village plans to eliminate the deficit through future tax increment finance tax collections.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Expenditures Over Appropriations

P.A. 621 of 1978 Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's actual expenditures and budgeted expenditures have been shown on a functional basis. The Village incurred expenditures in certain budgetary funds that were in excess of the amounts appropriated, as follows:

<i>Year Ended June 30, 2008</i>	<i>Excess Expenditures</i>
General Fund:	
<i>General Government:</i>	
Village Manager/Clerk	\$ (14,977)
Village Attorney	(972)
Administrative Services	(39,139)
<i>Public Safety:</i>	
Police Department	(4,405)
Fire Authority	(2,208)
<i>Public Works - Trash and Recycling</i>	(1,482)
<i>Community and Economic Development - Economic Development</i>	(330)
<i>Recreation and Culture:</i>	
Historic Village	(7,585)
Parks and Recreation	(1,663)
Recreation Area	(1,204)
<i>Other</i>	(4)
<i>Capital Outlay:</i>	
Public Safety	(13,341)
Public Works	(89)
<i>Debt Service:</i>	
Principal	(14,620)
Interest and other charges	(3,834)
Special Revenue Funds:	
<i>Major Street Fund - Highways and Streets:</i>	
Traffic services maintenance	(1,524)
Winter maintenance	(11,181)
<i>Local Street Fund - Highways and Streets - Traffic services maintenance</i>	(1,192)
<i>Department of Public Works:</i>	
Department expenses	(71,004)
Capital outlay	(24,301)

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

4. Cash and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

The cash deposits are in various financial institutions located in the Village in varying amounts. The Village's policy limits the investing options to a financial institution located in the state, except when bonding ordinances specify a specific financial institution.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the state of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it deposits the Village funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. All accounts are in the name of the Village and a specific fund or common account. They are recorded by the Village at cost.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be recovered. The Village does not have a deposit policy for custodial credit risk. At June 30, 2008, the Village's bank balances of \$755,253 were exposed to custodial credit risk as follows:

	<i>Amount</i>
Uninsured and uncollateralized	\$ 629,091

At June 30, 2008, the Downtown Development Authority's bank balances of \$50,619 were exposed to custodial credit risk as follows:

	<i>Amount</i>
Uninsured and uncollateralized	None

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Investments

State statutes authorize the Village to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the state of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of June 30, 2008, the Village classifies their Negotiable Order of Withdrawal (NOW) deposits and certificates of deposit as investments.

The Village does not have a formal investment policy.

Interest Rate Risk - Investments

Under State statutes, investments in commercial paper are limited to maturities of not more than 270 days after the date of purchase. The Village does not have a formal investment policy to place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Village will not be able to recover the value of its investments that are in the possession of an outside party. The Village does not have a formal investment policy for custodial credit risk over investments.

Credit Risk

State statutes limits investments in commercial paper to those rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the state of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Village does not have a formal investment policy for credit risk over investments.

Concentration of Credit Risk

The Village places no limit on the amount the Village may invest in any one issuer.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

5. Property Taxes

Property taxes attach as an enforceable lien on property on the date levied. Taxes are levied on July 1 and are payable from July 1 to September 15. Taxes are recognized as revenue when collected. Delinquent taxes are recorded as deferred revenue on the last day of February. The Village turns the delinquent real property tax rolls over to the County of Kalamazoo, which then reimburses the Village from its revolving tax fund. This assures the Village of 100% tax collection with the exception of delinquent personal property taxes that are not recorded until realized.

6. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

<i>Primary Government</i>	<i>Balance, June 30, 2007</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2008</i>
Governmental Activities:				
Capital assets not depreciated -				
Land	\$ 1,026,501	\$ -	\$ -	\$ 1,026,501
Capital assets depreciated:				
Improvements	1,427,798	-	-	1,427,798
Buildings	788,008	35,655	-	823,663
Equipment	1,112,506	86,719	-	1,199,225
Vehicles	-	15,655	-	15,655
Total capital assets depreciated	3,328,312	138,029	-	3,466,341
Less accumulated depreciation:				
Improvements	509,468	61,522	-	570,990
Buildings	506,440	23,521	-	529,961
Equipment	938,520	60,634	-	999,154
Vehicles	-	1,566	-	1,566
Total accumulated depreciation	1,954,428	147,243	-	2,101,671
Total Governmental Activities -				
Net Capital Assets	\$ 2,400,385	\$ (9,214)	\$ -	\$ 2,391,171

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 46,875
Public safety	35,292
Public works	37,339
Recreation and culture	27,737
	<hr/>
	\$ 147,243
	<hr/>

<i>Primary Government</i>	<i>Balance, June 30, 2007</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2008</i>
Business-Type Activities:				
Capital assets depreciated:				
Sewage collector system	\$ 4,149,795	\$ -	\$ -	\$ 4,149,795
Machinery and equipment	538,406	94,586	-	632,992
Water distribution system	2,073,767	101,321	-	2,175,088
	<hr/>			<hr/>
Total capital assets depreciated	6,761,968	195,907	-	6,957,875
	<hr/>			<hr/>
Less accumulated depreciation:				
Sewage collector system	1,263,586	76,905	-	1,340,491
Machinery and equipment	124,909	24,203	-	149,112
Water distribution system	585,863	79,472	-	665,335
	<hr/>			<hr/>
Total accumulated depreciation	1,974,358	180,580	-	2,154,938
	<hr/>			<hr/>
Total Business-Type Activities -				
Net Capital Assets	\$ 4,787,610	\$ 15,327	\$ -	\$ 4,802,937
	<hr/>			<hr/>

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

7. Long-Term Liabilities

Changes in long-term liabilities were as follows:

<i>Primary Government</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 120,000	\$ -	\$ 40,000	\$ 80,000	\$ 40,000
Installment purchase agreement	485,478	-	63,120	422,358	45,983
Total bonds and and notes payable	605,478	-	103,120	502,358	85,983
Other liabilities - Compensated absences	82,843	134,568	127,505	89,906	18,814
Total Long-Term Liabilities - Governmental Activities	\$ 688,321	\$ 134,568	\$ 230,625	\$ 592,264	\$ 104,797
Business-Type Activities -					
Bonds and notes payable:					
Revenue bonds	\$ 2,083,000	\$ -	\$ 24,000	\$ 2,059,000	\$ 90,000
Total Long-Term Liabilities - Business-Type Activities	\$ 2,083,000	\$ -	\$ 24,000	\$ 2,059,000	\$ 90,000

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Long-term bonds and notes at June 30, 2008, is comprised of the following:

<i>Primary Government</i>	<i>Final Maturity Dates</i>	<i>Interest Rates</i>	<i>Outstanding Balance</i>
Governmental Activities:			
DDA General Obligation Bonds	11/1/2009	6.600%-8.000%	\$ 80,000
Water Supply Installment Purchase Agreement	6/30/2018	5.875%	352,000
Land Contract 2003	12/1/2013	6.000%	54,003
Police Radios Installment Purchase Agreement	1/31/2010	4.815%	16,355
Total Governmental Activities			\$ 502,358
Business-Type Activities:			
1991 Water Supply System Revenue Bonds	1/1/2030	5.875%	\$ 1,059,000
2007 Sanitary Sewer System Revenue Bonds	7/1/2022	5.420%	1,000,000
Total Business-Type Activities			\$ 2,059,000

The compensated absence liability attributable to the governmental activities will be liquidated by the Village's Governmental Funds. The annual requirements to pay principal and interest on long-term bonds and notes outstanding for the primary government are as follows:

<i>Year Ending June 30,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2009	\$ 85,983	\$ 53,933	\$ 90,000	\$ 114,654
2010	86,911	24,147	92,000	109,664
2011	39,105	20,013	93,000	104,553
2012	39,707	15,981	95,000	99,386
2013	40,348	12,702	97,000	94,100
2014-2018	151,637	38,001	512,000	387,636
2019-2023	58,667	3,365	600,000	234,250
2024-2028	-	-	332,000	104,164
2029, and thereafter	-	-	148,000	12,749
	\$ 502,358	\$ 168,142	\$ 2,059,000	\$ 1,261,156

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

8. Commitments

Brownfield Development Projects

The Village has made commitments under its Village of Vicksburg Brownfield Development Authority to reimburse developers for development costs to be repaid through future tax collections.

As of June 30, 2008, the Village has committed to reimburse the Mill of South County for Brownfield development costs from future tax collections. The Village has no obligation to pay if the taxes are not collected. The future expected payments under this agreement are as follows:

<i><u>Year Ending June 30,</u></i>	<i><u>Payment</u></i>
2009	\$ 32,188
2010	30,984
2011	29,779
2012	28,610
2013	27,369
2014-2018	118,795
2019-2023	79,179
Total Payments	\$ 346,904

Brownfield development expenditures of approximately \$33,000 under this commitment were recorded in the TIF Indebtedness Fund in the year ended June 30, 2008.

As of June 30, 2008, the developers of Angels Crossings Golf Course incurred costs of approximately \$1,005,000. As the Village is not obligated to begin making payments until property taxes exceed debt service and water fund obligations, the costs incurred by the developers of Angels Crossings are not included in the long-term liabilities of the Government-Wide Statement of Net Assets.

Sanitary Sewage Transport Agreement

On September 14, 2004, the Village entered into a 40-year sanitary sewage transport agreement with a local unit. Under the agreement, the Village will make quarterly payments for operation, maintenance, repair, and replacement costs incurred by the local unit. These payments are recorded as expenditures when paid.

Transmission fees totaling approximately \$9,000 were recorded in the Sewer Fund for the year ended June 30, 2008.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Operating Leases

The Village's future minimum rental commitments for vehicle and office equipment leases, accounted for as operating leases at June 30, 2008, are as follows:

<i><u>Year Ending June 30,</u></i>	<i><u>Payment</u></i>
2009	\$ 17,400
2010	3,500
Total Payments	\$ 20,900

9. Pension Plan

The Village provides pension benefits for all of its full-time employees. The Village participates in the agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System of Michigan (MERS).

The plan is supported by contributions from the Village and from the investment income earned on plan assets, after expenses. The Village provides an actuarially determined contribution to meet the financial objective. The calculated employer contribution rates derived from this actuarial valuation as of December 31, 2007, are based on the present provisions of the Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220, as embodied in the MERS Plan Document (as revised).

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. The report may be obtained by writing to the following:

Municipal Employees' Retirement System of Michigan
447 North Canal Street
Lansing, Michigan 48917-9755

Annual Pension Cost

During the year ended June 30, 2008, the Village's contributions of approximately \$87,000 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2007. The employer contribution rate has been determined based on the entry age normal funding method.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

In general terms, the normal cost is the cost of benefit rights accruing based on current service. Technically, the normal cost rate is the level percentage-of-salary contribution required each year, with respect to each employee, to accumulate over his or her projected working lifetime the reserves needed to meet the cost of earned benefits. The normal cost represents the ultimate cost of the MERS if the unfunded liability is paid and the actual experience of the MERS conforms to the assumptions. Significant actuarial assumptions used include a long-term investment yield rate of 8.0% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. Three year trend information is as follows:

<i>Year Ended December 31,</i>	<i>Annual Required Contribution (ARC)</i>	<i>Percentage of ARC Contributed</i>	<i>Net Pension Obligation</i>
	\$	%	\$
2005	67,896	100	-
2006	70,056	100	-
2007	77,196	100	-

Schedule of funding progress:

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Under- funded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percent of Covered Payroll</i>
	\$	\$	\$	%	\$	%
<i>December 31,</i>						
2005	1,275,013	1,769,520	494,507	72	523,271	95
2006	1,344,169	1,867,727	523,558	72	571,047	92
2007	1,437,858	1,991,772	553,914	72	629,884	88

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

10. Interfund Receivables, Payables, and Transfers

The amounts due from/to other funds consists of the following:

	<i>Governmental Activities</i>				<i>Business Type</i>		<i>Total Payable</i>
	<i>Department of Public Works</i>	<i>Major Street</i>	<i>Market Place Indebtedness</i>	<i>TIF Indebtedness</i>	<i>Sewer</i>	<i>Water</i>	
Due to:							
Due from:							
General Fund	\$ -	\$ -	\$ 41,867	\$ 104,867	\$ -	\$ 6,103	\$ 152,837
Department of Public Works	-	-	-	66,697	-	-	66,697
Market Place Indebtedness	1,249	45,000	-	-	2,424	120,379	169,052
TIF Indebtedness	50,000	-	-	-	-	-	50,000
Sewer	-	-	-	-	-	220,245	220,245
Total Receivable	\$ 51,249	\$ 45,000	\$ 41,867	\$ 171,564	\$ 2,424	\$ 346,727	\$ 658,831

Interfund balances arise in the normal course of business and primarily represent timing differences between dates that transactions are recorded or payments between funds.

11. Contingent Liabilities

As with any municipality, claims may from time to time be asserted that allege liability on the part of the Village connected with matters of environmental control, civil rights discrimination, and general liability. The Village is involved in various legal proceedings; while any litigation or investigation has an element of uncertainty, the Village believes the uninsured portion of any lawsuit, or claim that is pending or threatened, or all of them combined, will not have a materially adverse effect on its financial condition or operations.

12. Deferred Compensation

The Village offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. It is the understanding of management that the Village has no liability for losses under the plan.

Village of Vicksburg, Michigan

Notes to Financial Statements (Concluded)

13. Risk Management and Related Insurance Issues

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and the public; and natural disasters. In order to minimize its exposure to these risks, the Village participates in one public entity risk pool, the Michigan Municipal Liability and Property Pool (MMLPP) for insurance coverage for liability, auto, crime, and property damage risks. The government pays an annual contribution to the pool for its insurance coverage. The agreements for formation of the pool provide that the pool will be self-sustaining through member contributions. The MMLPP reinsures in excess of \$500,000 for liability and \$100,000 in property loss. The MMLPP reinsures through commercial companies in excess of \$1,000,000. The Village has no pool deductible under the comprehensive general liability policy.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village estimates the range of loss, contingent upon these additional assessments to be immaterial. The pool publishes its own financial reports and may be obtained from the following:

Michigan Municipal Liability and Property Pool
P.O. Box 2054
Southfield, Michigan 48037

14. Restatement of Prior Year Net Assets

The Village determined that approximately \$69,000 of water distribution costs were expensed during 2007. As these costs were a result of the improvement of capital assets, the water distribution expenses would be capitalized under full accrual accounting. Therefore, the Water Fund's beginning net assets were adjusted by \$69,000.



Supplementary Information



Village of Vicksburg, Michigan

Property Tax Levy

<i>General Fund</i>				
	<i>June 30, 2008</i>		<i>June 30, 2007</i>	
	<i>Real</i>	<i>Personal</i>	<i>Real</i>	<i>Personal</i>
Taxable Value	\$ 60,299,723	\$ 5,574,700	\$ 55,836,142	\$ 5,000,000
Mills	11.0	11.0	11.0	11.0
Levy	663,297	61,322	614,198	55,000
IFT	11,820	3,399	13,055	3,916
Total Levy	\$ 675,117	\$ 64,721	\$ 627,253	\$ 58,916

<i>Department of Public Works</i>				
	<i>June 30, 2008</i>		<i>June 30, 2007</i>	
	<i>Real</i>	<i>Personal</i>	<i>Real</i>	<i>Personal</i>
Taxable Value	\$ 60,299,723	\$ 5,574,700	\$ 55,836,142	\$ 5,000,000
Mills	5.0	5.0	5.0	5.0
Levy	301,499	27,874	279,181	25,000
IFT	5,629	1,619	5,934	1,780
Total Levy	\$ 307,128	\$ 29,493	\$ 285,115	\$ 26,780



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Village Council
Village of Vicksburg, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Vicksburg, Michigan (the Village), as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.



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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

We noted certain matters that we reported to management of the Village in a separate memorandum dated December 17, 2008.

This report is intended solely for the information and use of the Village Council, management, and others within the Village, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'BDO Seidman, LLP'. The signature is written in a cursive, flowing style.

Certified Public Accountants

December 17, 2008